Agricultural Mitigation Working Paper

January, 2008

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In November of 2006, the City Council considered a LAFCo proposal to adopt a set of policies that would require mitigation for the loss of all agricultural lands that are proposed to be added to any city's Urban Service Area or city limits. The majority of City Council members opposed the proposed policies as they believe that the mitigation for the significant loss of agricultural lands is an issue that is more appropriately addressed by cities than LAFCo. As a result, the City Council directed staff to develop a set of City-wide policies that would address the conversion of agricultural and open space lands.

This report represents the first step towards development of a City-wide program for the mitigation of the significant loss of agricultural land. The report addresses five major issues relating to agricultural mitigation. The report includes preliminary findings and recommendations for three of these issues. The issues, findings and recommendations are intended to provide a basis for discussion of the issues associated with each. The five issues and preliminary recommendations, in the form of questions and answers or comments, are summarized below.

1. What land should be evaluated to determine if its conversion to urban use would be considered environmentally significant?

   CEQA Guidelines and environmental litigation suggest it is prudent to use a conservative approach when determining which lands to evaluate for agricultural significance. Evaluation of all lands identified on the Important Farmlands Map as Prime Farmland, Unique Farmlands and Farmland of Statewide Significance is recommended. Evaluation of these lands would be consistent with the CEQA Guidelines recommendations and include almost all land on the valley floor.

2. What method should be used to determine if the loss of agricultural land is significant?

   Use of the Land Evaluation and Site Assessment (LESA) model developed by the State is recommended as it provides an objective, quantifiable assessment of the impact of the loss of agricultural land. However, amendment of the model as described in Section 3C of this report or in some other manner is recommended in order to better respond to local conditions.

3. If a loss of agricultural land is found to be significant, what type of mitigation is acceptable?

   Purchase of conservation easements is the recommended form of mitigation. Additionally, given the small amount of mitigation that will typically be required of a project, payment of an in lieu fee to the City or an agency with the responsibility to manage an agricultural mitigation program will be necessary. Self-, on-site mitigation for large properties in areas identified for preservation may also be also acceptable.

4. If mitigation is required, where should it be provided?

   Section 6D of this report identifies four alternative locations for the preservation of agricultural land. Two of the alternatives emphasize preservation in the Southeast Quadrant area where it can also help to create a buffer between Morgan Hill and San Martin. The third alternative focuses on preservation of significant historical agricultural operations within the City's sphere. The fourth recognizes the difficulty of preservation within the sphere of influence and allows preservation in the Gilroy Preservation Areas.

   No specific recommendation is offered for areas of preservation. However, it needs to be recognized that if conservation easements are the preferred form of mitigation, they can only be obtained from willing sellers. The interest in sale of easements may be limited. Therefore identifying and prioritizing multiple sites or areas may be necessary in order to implement the program.

5. Is full mitigation economically feasible?

   Mitigation for the significant loss of agricultural land at a ratio of one acre of mitigation land for each acre of land developed would result in a development cost of $10,000 to $30,000 per acre or more. Development costs in Morgan Hill are currently among the highest in the area. The addition of this cost to affected projects may be economically infeasible. An assessment of the feasible level of mitigation may need to be made in order to determine the amount of preservation that can be achieved by implementation of the approved program.

Comments received on the issues, findings and recommendations of this report will assist staff in the further refinement of alternatives and recommendations for an agricultural mitigation program for the City and a possible General Plan amendment addressing an appropriate location for the Urban Limit Line in the Southeast Quadrant area. Consideration of recommendations for the mitigation plan and General Plan amendment are tentatively scheduled for consideration by the Planning Commission and City Council in spring of 2008.

Agricultural Mitigation Working Paper

1. Introduction

In November of 2006, the City Council considered a LAFCo proposal to adopt a set of policies that would require mitigation for the loss of all agricultural lands that are proposed to be added to any city's Urban Service Area or city limits. The majority of City Council members opposed the proposed policies as they believe that the mitigation for the significant loss of agricultural lands is an issue that is appropriately addressed by cities rather than LAFCo. As a result, the City Council directed staff to develop a set of City-wide policies that would address the conversion of agricultural and open space lands.

This report describes the legal requirements for agricultural land preservation under the California Environmental Quality Act (CEQA) and alternative approaches the City may use to satisfy its obligations under that Act. The alternatives address the types of land that may be subject to evaluation and the forms that evaluation may take. In addition, the report identifies alternative locations for mitigation for the significant loss of agricultural land and opportunities that agricultural mitigation may have to assist the City in creation of a greenbelt in the Southeast Quadrant between the City and San Martin. The cost of mitigation for the significant loss of agricultural land is also identified and the feasibility of full mitigation discussed. The report provides a number of recommendations regarding these components of an agricultural mitigation program for consideration.

It is the intent of this report to provide an informational basis for discussion of some of the major issues associated with agricultural mitigation and alternatives available to the City to address them. Preliminary recommendations have been provided for the mechanics of a mitigation program. Those recommendations are subject to modification based on the input received on this report. No specific recommendations are offered regarding the appropriate location for preservation of agricultural land. Public comment on this and other aspects of the report are encouraged.

Comments received on the issues, findings and recommendations of this report will assist staff in the further refinement of alternatives and recommendations for an agricultural mitigation program for the City and a possible General Plan amendment addressing an appropriate location for the Urban Limit Line in the Southeast Quadrant area. Consideration of recommendations for the mitigation plan and General Plan amendment are tentatively scheduled for consideration by the Planning Commission and City Council in spring of 2008.

2. CEQA Requirements

A. California Environmental Quality Act

CEQA includes a finding that the conversion of agricultural lands to urban uses threatens the long-term health of the state's agricultural industry and that CEQA should play an important role in the preservation of agricultural land. To that end, CEQA requires the City to evaluate all projects to determine their effect on agricultural lands. If approval of a project would result in the loss of agricultural land and that loss is found to be significant, feasible mitigation for the loss must be provided. However, CEQA does not define any quantitative threshold at which the loss of agricultural resources would be potentially significant and warrant mitigation. Instead, the CEQA Guidelines state that an iron-clad definition of significant effect is not always possible because the significance of an activity may vary with the setting. The Guidelines recommend the use of established standards, careful judgment on the part of the public agency involved, and views held by members of the public as expressed in the record before the lead agency (Section 15064(b)).

Appendix G of the CEQA Guidelines, the Environmental Checklist Form, contains sample or recommended questions for a variety of environmental aspects which are intended to provide guidance in determining if a proposed project may have a significant impact on the environment. These questions were developed to provide lead agencies with a better idea of what consequences are generally considered a significant environmental impact. The Checklist Form includes the three following threshold questions regarding agricultural resources:

1. Would the proposed project convert Prime Farmland, Unique Farmland, or Farmland of Statewide Importance, as shown on the maps prepared pursuant to the Farmland Mapping and Monitoring Program of the California Resources Agency, to non-agricultural use?
2. Would the proposed project conflict with existing zoning for agricultural use or a Williamson Act contract?
3. Would the proposed project involve other changes in the existing environment which, due to their location or nature, could result in conversion of Farmland, to non-agricultural use?

In addition to the sample questions, Appendix G notes that lead agencies may refer to the California Agricultural Land Evaluation and Site Assessment Model (LESA), prepared by the California Department of Conservation, for assessing impacts on agricultural and farmland. The LESA Model is described in detail in Section 3B of this report.

B. Land Subject to Evaluation for Agricultural Significance

CEQA does not specify what types of land must be evaluated to determine their agricultural significance. However, as indicated above, Section G of the CEQA Guidelines suggests the impact on Prime Farmland, Unique Farmland, or Farmland of Statewide Importance be evaluated. This recommendation is based on a provision of the Public Resources Code that addresses CEQA and reads as follows:

> 21060.1. (a) "Agricultural land" means prime farmland, farmland of statewide importance, or unique farmland, as defined by the United States Department of Agriculture land inventory and monitoring criteria, as modified for California.

These agricultural lands are shown on the Important Farmlands Map produced by the State Department of Conservation. This map was first published in 1986 and has been updated periodically since that time. The most recent map of Santa Clara County was updated in 2006. The purpose of this mapping, as described by the Department, is "to provide consistent and impartial data to decision makers for use in assessing present status, reviewing trends, and planning for the future of California's agricultural land resources." In addition to the three classifications mentioned above, the Important Farmlands Map also includes a classification for Farmland of Local Importance. Farmland of Local Importance includes small orchards and vineyards and land cultivated as dry cropland for grains and hay.

The Important Farmlands Mapping system is based upon the physical and chemical characteristics of the soil, similar to the Land Capability Classification (LCC) system and the Storie Index, both of which are described later in this Section of the report. The Important Farmlands Mapping System also assesses the use of the property and availability of irrigation. Land identified as Prime Farmland, Farmland of Statewide Importance or Unique Farmland must have been used for irrigated crop production at some time during the last four years. Lands defined as Prime Farmlands generally consist of soils identified as Class 1 or 2 by the LCC system. Lands defined as Farmlands of Statewide Importance generally consist of soils identified as Class 3 by the LCC system. As a result, even though the Important Farmlands Mapping system excludes lands that have not been irrigated within the last four years, the system identifies most of the vacant land within the City's sphere of influence that is located on the valley floor as needing evaluation to determine the significance of its loss to development.

In addition to the Public Resources Code and CEQA Guidelines, the Government Code provides a number of definitions of agricultural land and prime agricultural land that may assist in determining the types of land that should be subject to CEQA evaluation. The Knox, Cortese, Hertzberg Local Government Act (that identifies the duties and responsibilities of LAFCOs) includes definitions for agricultural land and prime agricultural land. Also the Williamson Act, which allows farmers to contract with local agencies to lower property taxes in exchange for development rights, contains a definition for prime agricultural land.

Government Code Section 56016 (part of the LAFCO regulations) defines agricultural land as follows:

> 56016. "Agricultural lands" means land currently used for the purpose of producing an agricultural commodity for commercial purposes, land left fallow under a crop rotational program, or land enrolled in an agricultural subsidy or set-aside program.

Section 56064 (also part of the LAFCO regulations) defines prime agricultural land as follows:

> 56064. "Prime agricultural land" means an area of land, whether a single parcel or contiguous parcels, that has not been developed for a use other than an agricultural use and that meets any of the following qualifications:
> (a) Land that qualifies, if irrigated, for rating as class I or class II in the USDA Natural Resources Conservation Service Land Capability Classification system, whether or not land is actually irrigated, provided that irrigation is feasible.
> (b) Land that qualifies for rating 80 through 100 Storie Index Rating.
> (c) Land that supports livestock used for the production of food and fiber and that has an annual carrying capacity equivalent to at least one animal unit per acre as defined by the United States Department of Agriculture in the National Handbook on Range and Related Grazing Lands, July, 1967, developed pursuant to Public Law 46, December 1935.
> (d) Land planted with fruit or nut-bearing trees, vines, bushes, or crops that have a nonbearing period of less than five years and that will return during the commercial bearing period on an annual basis from the production of unprocessed agricultural plant production not less than four hundred dollars ($400) per acre.
> (e) Land that has returned from the production of unprocessed agricultural plant products an annual gross value of not less than four hundred dollars ($400) per acre for three of the previous five calendar years.

The definition of prime agricultural land under the Williamson Act is very similar to the Knox Cortese definition with the only differences being that the Williamson Act definition includes class I and II lands without the qualifications addressing irrigation in sub-section (a), and the minimum production value of products is $200 per acre in sub-sections (d) and (e). None of these differences would have a material effect on the acreage defined as prime agricultural land in Morgan Hill. The text of the Williamson Act definition for prime agricultural lands reads as follows:

> 51201 (c): "Prime agricultural land" means any of the following:
> (1) All land that qualifies for rating as class I or class II in the Natural Resource Conservation Service land use capability classifications.
> (2) Land which qualifies for rating 80 through 100 in the Storie Index Rating.
> (3) Land which supports livestock used for the production of food and fiber and which has an annual carrying capacity equivalent to at least one animal unit per acre as defined by the United States Department of Agriculture.

(4) Land planted with fruit- or nut-bearing trees, vines, bushes or crops which have a nonbearing period of less than five years and which will normally return during the commercial bearing period on an annual basis from the production of unprocessed agricultural plant production not less than two hundred dollars ($200) per acre.

(5) Land which has returned from the production of unprocessed agricultural plant products an annual gross value of not less than two hundred dollars ($200) per acre for three of the previous five years.

The Land Capability Classification system shows, in a general way, the suitability of soils for most kinds of field crops. Crops that require special management are excluded. The soils are grouped according to their limitations for field crops, the risk of damage if they are used for crops, and the way they respond to management. Lands are rated for their suitability both with and without irrigation. In the LCC system, soils are generally grouped in classes. Classes are designated by the numbers 1 through 8. The numbers indicate progressively greater limitations and narrower choices for practical use. Soil Classes 1 and 2 have few or moderate limitations that reduce the choice of plants that may be grown on them. Much of the valley floor contains soils that are rated Class 1, 2 or 3.

The Revised Storie Index for California is a soil rating based on soil properties that govern a soil's potential for cultivated agriculture. The Storie Index assesses the productivity of a soil from the following four factors:

1. Soil characteristics, including their depth and perviousness to root growth
2. Soil texture, including the ease of tillage and capacity for water retention
3. Slope of the land
4. Other conditions not related to any of the first three factors

A score ranging from 0 to 100 percent is determined for each of the factors, and the scores are then multiplied together to derive an index rating. An index rating of 80 to 100 is considered to be “excellent” and a rating of 60 to 80 is considered to be “good.”

3. Approaches to CEQA Compliance

As indicated above, CEQA does not establish a specific technique that must be used to evaluate the significance of the loss of agricultural land or the type of mitigation that is required should a significant loss be identified. There are a variety of alternative approaches available and have been applied by agencies throughout the State. Following is a description of a number of those alternatives for consideration.

A. Mitigation for the Loss of All Prime Agricultural Lands - Santa Clara County LAFCO Approach

The Santa Clara County LAFCO has adopted an agricultural mitigation policy for use in evaluation of all applications that come before it. Although not mandatory, the policy recommends the provision of agricultural mitigation for the loss of all prime agricultural land. The policy uses the Knox Cortese definition of prime agricultural land described in Section 2B of this report. The policy does not, however, use the Knox Cortese definition of agricultural land (also, described in Section 2B) that requires the property to be used for agricultural purposes in order to be so defined. As an alternative, LAFCO's policy indicates that agricultural land includes "uses that currently or at any point in time relate to producing crops, growing fruit / nut trees, grazing cattle, supporting an agricultural industry or other uses that would not exclude the use of the land for agriculture and that would be compatible with agriculture, including land left undeveloped or fallow."

The policy does not include a process for determining if the loss of agricultural land is significant, but rather assumes that the loss of all agricultural land that meets its definition, regardless of size or other characteristics is significant. Also, whereas CEQA requires the provision of feasible mitigation, the LAFCO policy assumes that all mitigation is feasible and must be provided.

Acceptable mitigation under the LAFCO policy involves one of the following three alternatives:

1. Purchase of agricultural land and its transfer to an agricultural conservation entity for permanent protection.
2. Purchase of agricultural conservation easements on agricultural land that precludes its future development and transfer of the easements to an agricultural conservation entity.
3. Payment of an in-lieu fee to an agricultural conservation entity in an amount sufficient to fund acquisition of fee title or conservation easements for an amount of agricultural and equivalent to that being converted to another use.

In addition, payment is recommended that would cover the costs of program administration and management of the land to be protected. A copy of the LAFCO Agricultural Mitigation Policies is attached to this report as Appendix A.

Estimated effects of use of this approach: There are between 1,400 and 1,800 acres of undeveloped and underdeveloped land within the City's Urban Growth Boundary that is also on the valley floor. This includes land both within the city limits and land outside the city limits that is planned for urbanization over the next 20 to 25 years. All but approximately 300 acres of that land consists of Class 1 or 2 soils and would require mitigation under LAFCO's full mitigation alternative.

B. Use of LESA Model to Determine Significant Loss of Agricultural Land - City of Gilroy Approach

As discussed above, the CEQA Guidelines recommend using the Land Evaluation and Site Assessment (LESA) model for determining the significance of the loss of agricultural lands. The LESA model is a quantitative system based on six factors. Two of the factors address soil characteristics by utilizing the LCC system and Important Farmlands Maps. The other four factors address site characteristics including the size of the site, water availability to it, the amount of land within one quarter mile of the site that is in agricultural use, and the amount of "protected" land that is within one quarter mile of the site. For a given project, each of these factors is separately rated on a 100 point scale. The scoring of each factor is then weighted and combined, resulting in a single numeric score for a given project, with a maximum attainable score of 100 points. Following is a summary of the criteria and their relative scoring weight.

Land Evaluation (LE) Factors
Land Capability Classification 25%
Storie Index 25%
Land Evaluation Subtotal 50%

Site Assessment (SE) Factors
Project Size 15%
Water Resource Availability 15%
Surrounding Agricultural Lands 15%
Surrounding Protected Resource Lands 5%
Site Assessment Subtotal 50%

Total LESA Factor Weighting 100%

Agricultural sites are considered to be significant if the numeric score for the combined Land Evaluation factors is at least 20 points and the numeric score for the combined Site Assessment factors is also at least 20 points. If the combined score for either the Land Evaluation factors or the Site Assessment factors is less than 20, conversion of the site is not considered a significant loss of agricultural land. Following are the LESA criteria for the significant loss of agricultural lands.

0 to 39 Points:	Not Considered Significant
40 to 59 Points:	Considered Significant only if LE and SA sub-scores are each greater than or equal to 20 points
60 to 79 Points:	Considered Significant unless either LE or SA sub-score is less than 20 points
80 to 100 Points:	Considered Significant

According to representatives of the State Department of Conservation, the LESA Model is the only quantitative approach to evaluation of the significance of the loss of agricultural land currently in use in the State. A copy of the State LESA Model Instruction Manual is attached to this report as Appendix B.

The benefits of the LESA model are that it considers factors relating to the viability of agriculture on a site in addition to the soils it contains. The standard numeric rating system for the site factors, however, tends to create a "stair step" evaluation under which slight variations in site characteristics can have a significant effect on the outcome of the evaluation. For example, if 44 percent of the land within one quarter mile of a site is in agricultural use, a score of 10 points would be assigned to that factor. If 45 percent of the land is in agricultural use, a score of 20 points would be assigned. In addition, in the Morgan Hill area, the "stair step" generally results in sites of less than 20 acres in size not being considered significant and sites larger than 20 acres being considered significant. The State emphasizes that the LESA model is flexible and that agencies may alter the model to meet local needs and conditions.

The City of Gilroy and a number of other cities throughout the State use the LESA model to determine the significance of the loss agricultural lands. A copy of the Gilroy Agricultural Mitigation Program is attached to this report as Appendix C.

Estimated effects of use of this approach: There are between 1,200 and 1,500 acres of undeveloped and underdeveloped land within the UGB that are in groupings of parcels of 10 acres or more in size and are located on the valley floor. This includes land both within the city limits and land outside the city limits that is planned for urbanization over the next 20 to 25 years.

It is difficult to predict the effects of implementing the LESA model in Morgan Hill, because the size of the site is critical to the determination of agricultural significance. As described above, development of agricultural sites of less than 20 acres in size will generally not be considered to result in a significant loss of agricultural land. Most individual undeveloped parcels in the Morgan Hill area are less than 20 acres in size. Therefore development of a single parcel (or its inclusion within the City's Urban Service Area) would not be found to result in a significant loss of agricultural land. However, if several parcels are jointly developed as a single project and the acreage is 20 acres or more, it is likely that the agricultural loss would be found to be significant. As a result, the effect of implementing the LESA model would range from a requirement to mitigate for very few acres to as many as 1,200.

C. Use of LESA Model in Modified Form to Determine Significant Loss of Agricultural Land

If the LESA model is to be used in the CEQA process for Morgan Hill, amendments to the model to address local factors and reduce the impact of the "stair stepping" in the State model may be appropriate. Specifically, amendment to each of the four factors in the LESA model that address characteristics of a site and its surroundings: site size, availability of water, nearby agricultural lands, and nearby protected lands may be warranted to address circumstances specific to the Morgan Hill area. One set of possible amendments is described below.

Site Size: The LESA model assigns 15 percent of the overall score to this factor. Scoring of sites with Class 1 and 2 soils is different than scoring for sites with Class 3 or higher soils. No points are awarded to sites that are smaller than 10 acres in size. For Class 1 and 2 soils, ten-acre sites receive 30 points with points incrementally increasing to a maximum of 100 points for sites 80 acres or larger in size. For Class 3 and higher soils, ten-acre sites receive 10 points with points incrementally increasing to a maximum of 100 points for sites 160 acres or larger in size. The weighted values of these points are 4.5 points and 15 points, respectively. Amendment to this factor in a manner that would adjust the scoring to use smaller increments of change in the size of the site and begin the scoring at 1 point instead of 10 points would provide for a more continuous adjustment of scoring based on the size of a project. Table 1, on page 11 shows the current and possible amendments to the scoring of this factor.

Water Availability: The LESA model assigns 15 percent of the overall score to this factor. The criteria used in this factor focus on the sources of the water used for agricultural production (i.e. irrigation district, riparian, ground water), the percentage of the site that receives water from any of these sources, and the general availability of these water sources. Availability is evaluated in terms of the water supply and cost of supplying the water to the site. In the Morgan Hill area, all agriculture uses groundwater. According to Water District representatives, ground water is generally available throughout the valley and has few restrictions to its use. The major factor is the existence of a well to pump the groundwater or cost to construct a well. Amendment to this factor to use the Important Farmlands Map to determine the availability of water to a site may be more appropriate for conditions in the Morgan Hill area. As mentioned above, the Important Farmlands Map shows agricultural lands that have been irrigated within the past four to six years. Sites that have been irrigated (and presumably would continue to have water available for future agricultural use) would have the potential to be assigned 100 points, with a weighted value of 15 points.

Nearby Agricultural Lands: The LESA model assigns 15 percent of the overall score to this factor. The factor scoring is determined by the amount of land in agricultural use within one quarter mile of the site. No points are awarded to sites where less than 40 percent of the land within one quarter mile is in agricultural use. Where 40 percent of the land is in agricultural use, 10 points are assigned and where 100 percent of the land is in agricultural use, 100 points are assigned. The weighted values of these points are 1.5

points and 15 points, respectively. The LESA model is intended to be used to evaluate the significance of the loss of agricultural land when it is proposed for development or to be included within the City's Urban Service Area. In either instance, the site will be within the city limits or on the fringe of the community and is not likely to have a significant amount of agricultural use within one quarter mile of it. Modification to this factor to reduce the minimum percentage of agricultural use within one quarter mile that would qualify for points from 40 to 25 percent would be more reflective of circumstances in the Morgan Hill area. In addition, adjustment to the factor to use smaller increments of change in the percentage of agricultural use and scoring begin at 1 point instead of instead of 10 points may be appropriate. Table 2, on page 12 shows the current and possible amendments to the scoring for this factor.

Nearby Protected Land: The LESA model assigns 5 percent of the overall score to this factor. Scoring is dependent on the amount of land within one quarter mile of a site that is "protected" resource land. Protected land includes land that is under Williamson Act contract and publicly owned parks and other lands preserved for resource protection. The scoring system for this factor is the same as for Nearby Agricultural Lands. No points are awarded to sites where less than 40 percent of the land within one quarter mile is protected. Where 40 percent of the land is protected, 10 points are assigned and where 100 percent of the land is protected, 100 points are assigned. The weighted values of these points are 0.5 points and 5 points, respectively.

There is little protected land on the valley floor within the Morgan Hill area. Over the long term, implementation of an agricultural mitigation program may add to the currently limited supply. However, within the next 10 to 20 years the amount of land that may be protected within the City's sphere of influence would be limited. As a result, it is unlikely the protected lands factor would contribute points to a site's overall score. Replacement of this factor with one that assigns points for the adjacency of agricultural use may be more relevant in the Morgan Hill area. Such a replacement factor could award points based on the percentage of the perimeter of a site that is adjacent to land that is in agricultural use. This would complement the factor that evaluates the amount of agricultural land in the vicinity of a site by recognizing the additional significance of the loss of agricultural land that is adjacent to a project site. Consistent with the possible revisions to the Nearby Agricultural Lands factor, this factor could use the same minimum 25 percentage of agricultural use adjacent to the site to qualify for points. In addition, this factor could use smaller increments of change in the percentage of agricultural use, as suggested for the Nearby Agricultural Lands factor. Table 2 also shows the current and possible amendments to the scoring for this factor.

Table 1
Parcel Size and Soil Classification

Acreage	Class 1 & 2 Soils		Class 3 & 4 Soils	
	Current Scoring	**Proposed Scoring**	**Current Scoring**	**Proposed Scoring**
160			100	100
155			90	97
150			90	93
145			90	90
140			90	87
135			90	83
130			90	80
125			90	77
120			90	73
115			80	70
110			80	67
105			80	63
100			80	60
95			80	57
90			80	53
85			80	50
80	100	100	80	47
75	90	93	70	43
70	90	86	70	40
65	90	79	70	37
60	90	71	70	33
55	80	64	60	30
50	80	57	60	27
45	80	50	60	23
40	80	43	60	20
35	50	36	30	17
30	50	29	30	13
25	50	21	30	10
20	50	14	30	7
15	30	7	10	3
10	30	1	10	1
5	0	0	0	0
0				

Table 2
Possible Amendment to LESA Scoring Criteria for
Nearby and Adjacent Agricultural Land

%	Current Scoring	Proposed Scoring
100	100	100
95		93
90	100	86
85		80
80	90	73
75		67
70	70	60
65		53
60	50	47
55		40
50	30	33
45		27
40	10	20
35		13
30		7
25		1
20		
15		
10		
5		
0		

Estimated Effects of Using Modified LESA Model: Staff has generally applied the possible revisions to the LESA model to areas within the City's Urban Growth Boundary (UGB) in order to determine the effects of the revisions. There are between 1,200 and 1,500 acres of undeveloped and underdeveloped land within the UGB that are in groupings of parcels of 10 acres or more in size and are located on the valley floor. This includes land both within the city limits and land outside the city limits that is planned for urbanization over the next 20 to 25 years. Conversion of approximately 60 percent (700 to 900 acres) of that land to urban use could be determined by the revised LESA model to require mitigation. This percentage is a function of the sizes of sites proposed for urban land use, annexation, development, etc. If most sites subject to CEQA evaluation are ten acres or less in size, the percentage requiring mitigation would be lower. Approximately 50 to 60 percent of the acreage anticipated to require mitigation is designated for residential use in the City's General Plan. The remaining 40 to 50 percent is planned for commercial or industrial uses. Most of the land that would require mitigation is located on the east side of Highway 101 and located south of Tennant Ave./Edmondson Ave. on the west side of Highway 101. Figure 1, on page 14 shows the general locations of these areas. The estimated effect of use of the modified LESA model is based on the amount of undeveloped and underdeveloped land currently planned for urbanization. Over time,

as that amount of land develops and (presumably) the City expands its urban limits, the amount of land requiring mitigation would also increase.

D. Case by Case Mitigation for the Loss of Prime Agricultural Land – Current Morgan Hill Approach

Many agencies have not adopted specific standards for evaluation of the significance of the loss of prime agricultural land and the types of mitigation that may be required. These agencies typically address the conversion of agricultural land on a case-by-case basis using the CEQA Guidelines Environmental Checklist Form (Appendix G of the Guidelines). As described in Section 2A of this report, this Checklist includes three recommended questions to be asked to assist in determining the significance of the loss of agricultural land. Those questions address the classification of the soils under the LCC system, zoning of the land or the existence of a Williamson Act contract on it, and other possible changes that could result in conversion of farmland. This approach does not incorporate use of the LESA model, although some CEQA documents may use the model.

Positive responses to any of these questions would indicate that the loss of the agricultural land may be significant. Under these circumstances, agencies typically consider a variety of circumstances associated with the specific property and its intended use to determine if the loss is actually significant.

The benefits of this approach are that it is flexible and allows for an indeterminate number of factors to be considered in the process. The disadvantages of the process are that it can be, and often is, subjective allowing for inconsistent findings for similar properties and a greater potential for legal challenge.

Estimated Effects of Using Case-by-Case Approach: The effect of evaluating the loss of agricultural lands on a case-by-case basis is not possible to reasonably estimate.

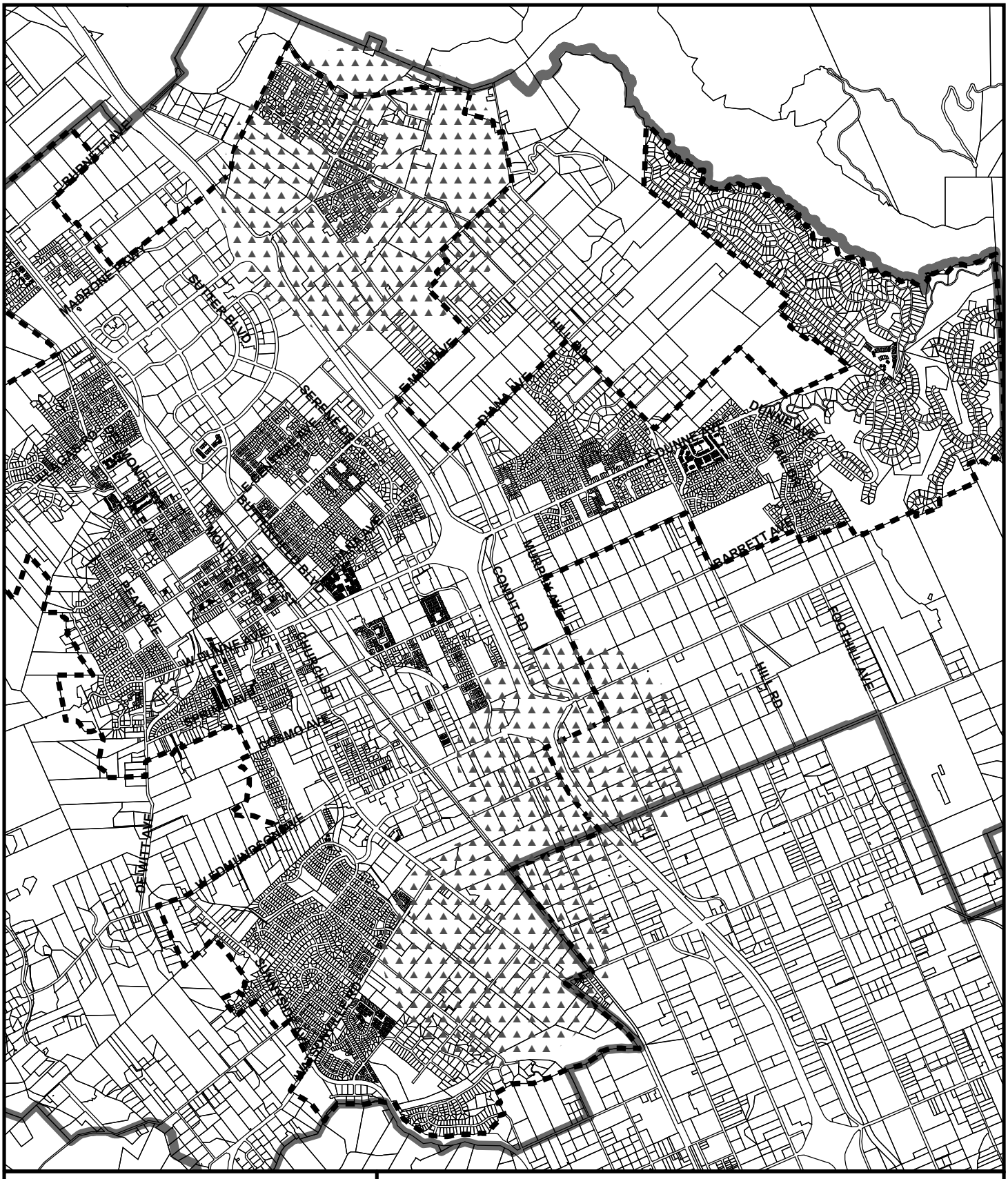

Figure 1:
General Areas of Probable Mitigation within the UGB Using Modified LESA Model

This map was produced by the City of Morgan Hill Community Development Department. The data was collected from a variety of reliable sources. However, the City of Morgan Hill makes no representation as to its accuracy and disclaims any liability to persons who may rely upon it.

R:\PLANNING\GIS\Maps\Projects\Agricultural Mitigation\Figure1.pdf

4. Forms of Mitigation and Mitigation Areas

A. Forms of Mitigation

Mitigation for the loss of agricultural land typically takes the form of preservation of other agricultural land of equal or higher quality. Preservation of other agricultural land requires that the land be kept in agricultural use or available for agricultural use in perpetuity. Although no standards have been established for the level of mitigation that should be required for the significant loss of agricultural land, most existing programs require one acre of land be preserved for each acre of land developed. Some agencies, including the City of San Jose does not recognize the protection of existing agricultural land as adequate mitigation under CEQA because the net result of such actions would still be a net loss of farmland acreage. This is described further in Section 5F of this report.

Preservation of existing agricultural lands as mitigation for the conversion of other agricultural lands typically takes one of three forms including the following:

1. purchase of mitigation property in fee simple ownership,
2. purchase of a conservation easement over the property which prohibits its use for purposes that would prevent agricultural uses, and
3. payment of an in lieu fee for acquisition of property or easements at a future date.

The most common form of mitigation is the payment of a fee commensurate with the easement acquisition and related administrative costs. The purchase of easements is normally less costly than the purchase of land in fee simple ownership because ownership of the property does not change and the current owner is typically entitled to continue the current use (presumably agricultural production) on the property. Also, the purchase of conservation easements does not require the on-going management costs that are associated with fee simple ownership. Payment of a fee in lieu of purchasing conservation easements is typically preferred because the amount of mitigation required of individual projects is generally insufficient to purchase an easement of an adequate size for a viable farming unit.

CEQA indicates that only mitigation that is considered **feasible** to implement be required of a project. The CEQA Guidelines Section 15364 define feasible as "capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, environmental, legal, social, and technological factors." Should it be determined that full mitigation for the significant loss of agricultural land is not feasible for any of the stated reasons, only mitigation at a lesser level that is feasible can be required. This topic is described further in Section 5F of this report.

B. Mitigation Areas

There are no standards or requirements for the location of mitigation areas. However, most existing programs promote mitigation as near to the land to be converted to urban

use as reasonably practicable. This Section of the report identifies General Plan support for agricultural preservation and possible areas where mitigation could be provided inside the Morgan Hill sphere of influence and in other areas in South County.

General Plan Policy Guidance for Agricultural Preservation:

Goal 3 of the Open Space and Conservation Element of the General Plan promotes the maintenance of a "viable agricultural industry" in the Morgan Hill area. Policy direction focuses on actions that are supportive of existing agricultural uses. Several of the policies specifically address the permanent preservation of agricultural lands; preservation that could be accomplished, at least in part, by implementation of an agricultural mitigation program. Those policies include the following:

3a. Support programs and techniques, including conservation easements and purchase of development rights to encourage the retention of agricultural activities and to minimize conflicts in the transition from agriculture to urban uses.
3k. Establish areas for the permanent preservation of agricultural lands and programs to accomplish that objective, such as exclusive agricultural zoning, transfer of development rights (TDR) programs, and right-to-farm legislation.
3l. Preserve some prime agricultural lands in South County (particularly within the prime agricultural areas east and south of Gilroy) for agricultural use through appropriate agricultural land preservation tools, such as exclusive agricultural zoning, transfer of development rights (TDR) programs, and fight-to-farm legislation.

A complete list of General Plan policies addressing agriculture in the Morgan Hill area are included as Appendix D.

Mitigation Within Morgan Hill Sphere of Influence and Outside the Urban Growth Boundary:

Within the City's sphere of influence, there are approximately 1,250 acres of agricultural land that are outside the City's Urban Growth Boundary consisting of parcels generally 10 acres in size or larger and not planned for urban uses. All of these parcels are zoned for agricultural use by the County. The acreage is located in three primary areas, the Southeast Quadrant (east of Hwy. 101, south of San Pedro Ave. and north of Maple Ave.), the Guglielmo Winery area (bounded by Condit Rd., Main Ave., Hill Rd. and Diana Ave.), and the Peebles Ave. area (west of Hwy. 101, south of Burnett Ave., and north of the city limits). These areas are shown on Figure 2, on page 18.

The Southeast Quadrant area contains approximately 1,000 acres of agricultural land. Most of this land is designated as Prime Farmland by the Important Farmlands Map and consists of Class 2 soils, as defined by the Land Capability Classification system. Much of the area is currently farmed. However, less than 10 percent of the land is under Williamson Act contracts. Figure 3, on page 19 shows properties within the sphere of influence that are currently under such contracts. Most of this land has been subdivided into 10-acre parcels. These relatively small parcel sizes and the proximity of the area to

the city limits have added a speculative value to these properties. Preservation of agricultural lands within the Southeast Quadrant could help to further the City's goals of establishment of a greenbelt around the urban areas of the City as well as preserving agricultural lands.

The Guglielmo Winery area contains approximately 150 acres of agricultural land. Most of this land is designated as Prime Farmland by the Important Farmlands Map and consists of Class 2 soils, as defined by the Land Capability Classification system. Half of this area is under Williamson Act contracts and is in vineyard use. Preservation of this area would not contribute to creation of a greenbelt as areas to the north and south are planned for urban development. However, this area could be considered a historically significant "cultural landscape" within the urban area and its preservation would retain a significant part of the City's agricultural heritage.

The Peebles Ave. area contains approximately 100 acres of agricultural land. Much of this land is designated as Unique Farmland by the Important Farmlands Map and consists of Class 2 and 3 soils. The Unique Farmland classification is reflective of the plant nurseries in the area. Approximately 10 percent of the area is under Williamson Act contracts.

Mitigation Within Morgan Hill Sphere of Influence and Inside the Urban Growth Boundary:

In addition to these areas that are outside of the Urban Growth Boundary, there are two areas within the Urban Growth Boundary and outside the city limits that are in active agricultural production and may be appropriate for agricultural mitigation. These areas, shown on Figure 2, have been assigned urban land use designations by the City's General Plan but are outside the city limits and Urban Service Area.

The Mariani Orchard is located on the north side of Half Road, north of Live Oak High School. The orchards cover approximately 55 acres of land. Most of the land is designated as Prime Farmland by the Important Farmlands Map and consists of Class 2 soils. The area is zoned for agricultural use by the County and is designated for low density residential development by the General Plan. None of the land is under Williamson Act contracts. As with the Guglielmo Winery area, this area could be considered a historically significant "cultural landscape" within the urban area and its preservation would retain a significant part of the City's agricultural heritage.

The other area within the Urban Growth Boundary is generally located in the south west portion of the City and is bounded by Monterey Road, Watsonville Road, Olive Ave. and Silveira Park. The area contains approximately 150 acres of land that is in agricultural production. Most of the land is designated as Prime Farmland or Farmland of Statewide Importance by the Important Farmlands Map and consists of Class 1, 2, and 3 soils. The area is zoned for agricultural use by the County and is designated for single family development at a variety of densities by the General Plan. None of the land is under Williamson Act contracts.

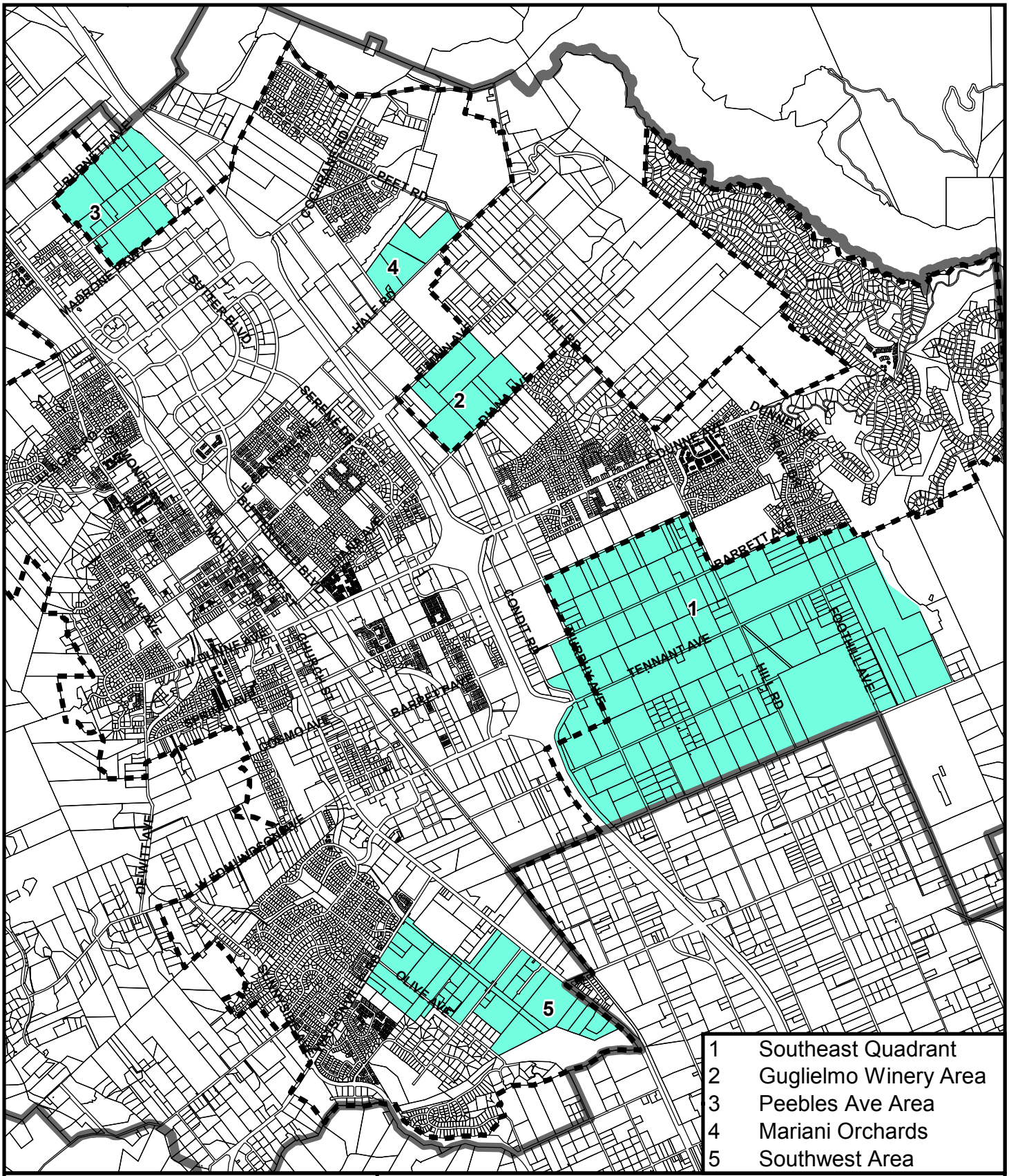

Figure 2:
Possible Mitigation Areas Inside Sphere of Influence

This map was produced by the City of Morgan Hill Community Development Department. The data was collected from a variety of reliable sources. However, the City of Morgan Hill makes no representation as to its accuracy and disclaims any liability to persons who may rely upon it.

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Williamson Act Parcels

Urban Growth Boundary

Sphere of Influence

0 1,000 2,000 4,000

Feet

Figure 3:
Properties Under Williamson Act Contracts

This map was produced by the City of Morgan Hill Community Development Department. The data was collected from a variety of reliable sources. However, the City of Morgan Hill makes no representation as to its accuracy and disclaims any liability to persons who may rely upon it.

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Mitigation Outside Morgan Hill Sphere of Influence:

There are between 12,000 and 15,000 acres of agricultural lands in South County that are outside of Morgan Hill's sphere of influence. These lands are generally located south of Masten Ave. and east of Hwy. 101. (There are other agricultural lands that are located west of Hwy. 101 in the South County area. However, these lands are zoned for rural residential development and will presumably convert to that use in the future.) All of these agricultural lands are designated as Prime Farmlands and have Class 1, 2 or 3 soils and are designated for agricultural use by the County. These lands generally consist of large parcels and are actively farmed. These lands have been identified by the City of Gilroy as Preferred Preservation Areas for potential mitigation as part of that city's agricultural mitigation program. These lands are shown on Figure 4, on page 21.

C. **Amount of Mitigation Required**

There are between 1,200 and 1,500 acres of undeveloped or underdeveloped land that is located on the valley floor and within the City's Urban Growth Boundary that is grouped in areas of at least 10-acres in size. Potentially, all of this land would be subject to evaluation to determine if its development would result in a significant loss of agricultural land. Depending on the evaluation method used, potentially all of this land would be required to provide mitigation. More realistically, the conversion of between 500 and 1,000 acres of this land would be found to result in a significant loss of agriculture and require mitigation.

As indicated above, within the City's sphere of influence and outside the Urban Growth Boundary there are approximately 1,250 acres of agricultural land that are not planned for urban uses over the next 20 years. The purchase of conservation easements or fee simple title to property for agricultural mitigation requires willing sellers. It is unlikely that willing sellers could be found to satisfy this entire mitigation requirement within the sphere of influence. As a result, it will likely be necessary to provide mitigation elsewhere in South County, as well.

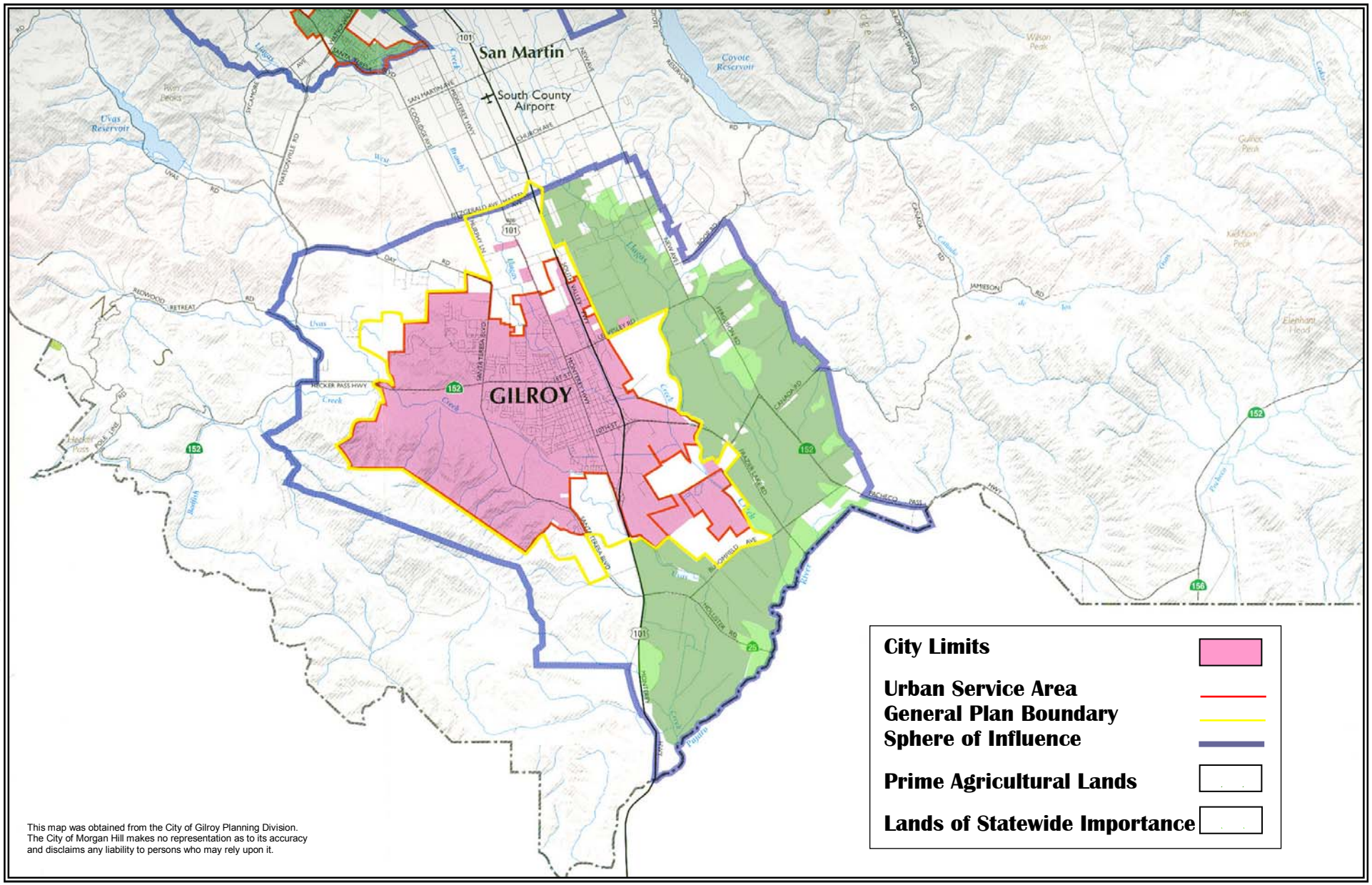

Figure 4. Gilroy Mitigation Areas

5. Cost of Mitigation

A. Mitigation Costs Inside Sphere of Influence

Economic and Planning Systems (EPS) assisted the City in preparation of the Urban Limit Line/Greenbelt Study by providing economic data regarding the feasibility of various aspects of that study. Its findings regarding the cost of preservation of open space and agriculture in the unincorporated portions of the City's sphere of influence include the following:

> "The active market for rural estates in the rural areas of the County, including the greenbelt area, along with land use policies that permit such use have created land values that are far above the resource use (agricultural) value of the land. These high values not only make investment in agriculture infeasible but increase the cost and thus reduce the effectiveness of the preservation techniques involving land or easement acquisition."

Additional analysis by EPS indicates the fee-simple value of this land ranges from $60,000 to $100,000 per acre. The value of conservation easements over this land is estimated to be $20,000 to $30,000 per acre or more. However, discussions with owners of some of the properties in these areas suggest that there may be little interest in sale of easements for agricultural mitigation.

In addition to the acquisition fee, mitigation typically includes the payment of a supplemental fee to cover the costs associated with acquisition negotiations and subsequent easement management. Easement acquisition costs typically range from $20,000 to $50,000 regardless of the easement size. Easement management is generally less costly unless legal action is necessary to enforce its provisions. The acquisition and management fee will need to be determined and included as part of any in-lieu fee that is collected.

B. Mitigation Costs Outside Sphere of Influence

As mentioned previously in this report, the other area within South County that may be appropriate for agricultural preservation is located east and south of Gilroy. This area has not been subject to the historic parcelization that occurred within Morgan Hill's sphere of influence and most of this land is held in large acreages. The Nature Conservancy has purchased conservation easements in the area south of Gilroy along the Pajaro River. All of the land purchased is zoned for agricultural use and most of it is located in the Pajaro River floodplain. The price paid for those easements ranged from $10,000 to $15,000 per acre, depending on location and soils quality.

C. Mitigation Costs Per Unit of Development

As identified previously in this report, approximately between 50 and 60 percent of the land that may require agricultural mitigation as a condition of development in Morgan

Hill is designated for residential and the remaining 40 to 50 percent is planned for commercial or industrial use. Most of this residential land is designated for development at one to three units per acre in that it is located on the edges of the urban area and the City's General Plan calls for transitioning to lower densities in these locations. Assuming a per acre mitigation cost that ranges from $10,000 to $30,000 per acre, the mitigation cost for residential development occurring at three units per acre would range from $3,300 to $10,000 per unit depending on the location of the mitigation land. Commercial and industrial land is assumed to develop with average land coverage of 30 percent or approximately 13,000 square feet of building area per acre. The mitigation for these development types would therefore range from approximately $1 to $2.50 per square foot of floor area or $10,000 to $30,000 per acre (assuming 13,000 s.f./acre).

D. Development Costs in Morgan Hill

Development in Morgan Hill is subject to a number of fees and other commitments. The City has adopted a series of impact fees that are intended to cover the costs that new development creates for City infrastructure. For example, new residential subdivisions result in additional traffic on City streets, resulting in the need for street widenings, traffic signals, etc. Currently, the City has impact fees to cover costs to the City's water system, sanitary sewer system, storm drainage system, parks, library, police and fire services. For a typical single family house, these combined fees total approximately $25,000. The fees for commercial and industrial development vary significantly depending on the amount of sewer usage and traffic generated. Generally, the impact fees paid by commercial uses range from $90,000 to more than $200,000 per acre and industrial uses range from $50,000 to $75,000 per acre.

For many years, the City has had a Residential Development Control System (currently Measure C). This system regulates the amount of residential development that can occur annually and establishes a competitive system to determine which residential projects would be allowed to develop. The competitive system awards points to projects based on a number of physical attributes and commitments to install infrastructure and pay fees beyond the level needed to support the project, itself. The commitments are not required by Code, but are typically offered by project developers to enhance their possibility of success in the competition. Examples of these commitments include such things as street widening or sidewalk construction beyond the geographic limits of the project, purchase of hillside open space easements and/or payment of park fees beyond that required by Code. Over the past four years, on average, successful project have made commitments with a total project cost of approximately $14,000 per house. In addition, almost all projects commit to selling a certain percentage of the units at below market prices to income-eligible persons. The cost of this commitment varies annually and is dependent on many factors. This cost is estimated to be approximately $30,000 per house.

E. Development Costs in Other Areas

In 2006, the Home Builders Association of Northern California published a study of comparative development costs for a number of South Bay cities, including Fremont,

Gilroy, Morgan Hill, Mountain View, Palo Alto, San Jose, Santa Clara and Sunnyvale. The study compared the costs of entitlement fees, construction fees, impact/capacity fees and development taxes for five different types of development projects. Two of those types of projects, a 50-unit single family residential project and a 100,000 square foot research and development industrial building, could potentially involve conversion of agricultural land.

The study indicates it should be used as a "starting point for determining the cost obligations that can be expected in different jurisdictions [and] it is not intended to be a definitive comparison." An example of the limitations of the study is that it did not address the $14,000 average financial commitment made by Measure C projects in Morgan Hill. Also, the study did not include the agricultural mitigation fee charged by the City of Gilroy. All of the cities included in the survey have below market rate housing programs. The percentage commitment varies from 10 to 20 percent. The cost associated with provision of these units is not included in the study. It is unknown if any of the cities included in the survey have adjusted any of the fees and/or costs since the study was published.

Adjusting for the omission of the average Measure C commitments and recognizing other shortcomings of the study, it may be possible, in a very general sense, to compare the cost of development in Morgan Hill with the other nearby cities. The purpose of this comparison is to evaluate the potential impact that an agricultural mitigation fee might have on the financial competitiveness of projects in Morgan Hill with other cities in the area.

As reported in the study, the development cost associated with a 50-home single family subdivision ranges from a high of $51,695 per unit in Gilroy to a low of $15,391 in Santa Clara. The cost in Morgan Hill is listed as $30,504, the fourth highest of the 8 cities in the survey. Adding the $14,000 average Measure C cost to would increase the Morgan Hill cost to $44,504. This would rank Morgan Hill as the second most expensive city.

The development cost associated with a 100,000 square foot research and development industrial building on a 4.5 acre site range from a high of $2,128,950 in Palo Alto to a low of $200,373 in Mountain View. The cost in Morgan Hill is listed as $840,399 ($186,755 / acre), the third highest of the 8 cities in the survey. (The difference between this amount and that identified in the prior Section of the report is that research and development uses generate significantly more traffic than other types of industrial uses and therefore a much higher traffic mitigation impact fee.) The Morgan Hill cost is approximately $21,000 less than Santa Clara, the second highest cost city and approximately $147,000 more than Gilroy, the fourth highest cost city.

The provision of mitigation for the significant loss of agricultural land could add between $3,000 and $10,000 to the cost of each house constructed on such lands and between $10,000 and $30,000 per acre to the cost of industrial development in Morgan Hill. Given the current level of city fees and other costs, the addition of agricultural mitigation would result in Morgan Hill costs being amongst the highest of the cities surveyed.

F. Feasibility of Full Mitigation

The California Environmental Quality Act requires that any environmental impacts of a project that are found to be significant be mitigated to a less than significant level unless it is found that such mitigation is not "capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, environmental, legal, social, and technological factors" (Guidelines Section 15364). Under these circumstances, a Statement of Overriding Considerations may be adopted through the environmental impact report process. The Statement of Overriding Considerations must substantiate the benefits of a project outweigh the unavoidable adverse environmental effects that would result from its development.

Some agencies, including the City of San Jose, have found the significant loss of agricultural land to be economically infeasible to mitigate. That City's position is that preservation of existing agricultural land does not mitigate for the loss of other agricultural land because the proposed mitigation land is currently in agricultural use or could easily be used for that purpose. The City's position is that the only valid mitigation would involve converting non-agricultural land, such as land developed for urban use, to agricultural land. The cost of that conversion has been found by San Jose to be economically infeasible. As a result, for the Coyote Valley Specific Plan, San Jose has proposed adoption of a Statement of Overriding Considerations. Most agencies have not taken the position that mitigation for the loss of agricultural land can only be mitigated by the "creation" of other agricultural lands and require preservation of existing agricultural lands as described in this report.

The anticipated $10,000 to $30,000 or more per acre cost of mitigating for the significant loss of agricultural lands may be economically infeasible, given other current development costs described earlier in this report. Should the City find this to be the case, an environmental impact report would need to be prepared and a Statement of Overriding Considerations would need to be adopted. Under such circumstances, the City would need to require mitigation at a level that is found to be economically feasible.

6. Agricultural Mitigation Program Recommendations

Given the factors and considerations described in previous sections of this report, following are a set of possible recommendations for the structure of an agricultural mitigation program for Morgan Hill. These recommendations are offered as a means of encouraging dialogue and consideration of the issues associated with adoption of an agricultural mitigation program.

A. CEQA Evaluation Process

The application of various methods available for evaluating the significance of the loss of agricultural land described above would have significantly different results. The most stringent of the methods identified would require mitigation for the loss of virtually all agricultural land in Morgan Hill's sphere of influence, irrespective of its size, location or other factors that may affect its viability or significance for agricultural use. The Land Evaluation and Site Assessment model, adopted by the State, would generally find that the loss of properties/areas that are less than 20 acres in size are not significant. Use of the CEQA Guidelines Environmental Checklist Form provides the greatest flexibility to the City in evaluating the significance of the loss of agricultural land. It allows for the consideration of an unlimited number of factors in this regard. However, this approach tends to be subjective, allowing for the potential of inconsistent findings over time.

Staff supports the use of the LESA model as it provides an objective, quantifiable assessment of the impact of the loss of agricultural land. However, amendment of the model as described in Section 3C of this report or in some other manner is recommended to better respond to local conditions.

CEQA Guidelines and environmental litigation suggest it is prudent to use a conservative approach when determining which lands to evaluate for agricultural significance. Evaluation of all lands identified on the Important Farmlands Map as Prime Farmland, Unique Farmlands and Farmland of Statewide Significance would be consistent with Guidelines recommendations and include almost all land on the valley floor.

B. Mitigation Program

Of the three possible forms of mitigation, payment of an in lieu fee to the City or an agency with the responsibility to manage an agricultural mitigation program is generally considered the preferred alternative. This form is the easiest for the sponsors of projects that require mitigation as they do not have the burden of locating mitigation property and negotiating its purchase or easement recordation. Payment of a fee allows for a more comprehensive and coordinated approach to agricultural land preservation. However, there may be instances in which projects may be able to self-mitigate or provide mitigation on same property that is being proposed for development. This form of mitigation should also be encouraged.

Purchase of conservation easements is generally preferred over purchase of property in fee simple ownership, in that easements are typically less expensive than fee simple purchases and the costs of management are typically lower. However, while more expensive, the number of property owners willing to sell fee simple title to property is much greater than that of owners willing to sell conservation easements.

C. Mitigation Areas - General

The acreage of land that would be required for mitigation under the proposed program is dependent on the form of evaluation selected and could range from as few as several hundred acres to more than 1,000 acres. Within the City's sphere of influence there are approximately 1,500 acres of valley floor land that could be used for mitigation. Gilroy's Preserved Preservation Areas contain between 12,000 and 15,000 acres. Purchase of mitigation land or easements requires willing sellers. Given the possible extent of the land necessary for mitigation, acquisition of all the required land within the City's sphere of influence is not likely. As a result, it is recommended that the City plan for mitigation to be provided outside the sphere of influence, as well. The closest area to Morgan Hill where mitigation may be feasible and where there is adequate land available for that purpose is located east and south of Gilroy.

It needs to be recognized that preservation of agricultural land within the Morgan Hill sphere of influence may be more difficult than preservation in the Gilroy area for a number of reasons. Land costs in the Morgan Hill area are generally higher than those in the Gilroy area. Thus a given amount of money would preserve less land in Morgan Hill than Gilroy. Much of the agricultural land in the Morgan Hill area is relatively close to the city limits. This proximity has increased the expectation that annexation and development would be possible in the foreseeable future. This expectation limits the number of property owners willing to sell conservation easements that preclude property development. Much of the agricultural land in the Morgan Hill vicinity has been subdivided into parcels of approximately 10 acres in size. Individually, these small parcels are more difficult and less efficient to farm. Identifying willing sellers of several adjacent parcels in order to improve farming efficiencies may be difficult. Farming of small parcels is becoming more popular and viable for specialty crops. However, farming on small parcels typically requires housing on or near the site. Most of the 10-acre agricultural parcels in the Morgan Hill area are vacant. Pursuant to County zoning, one house would be allowed on each of these parcels. The trend in this area has been to develop large homes on these parcels which may be inconsistent with farmer housing needs.

All of the areas identified in Section 4B of the report have the potential to provide mitigation for the significant loss of agricultural land. The Peebles Ave. area is not however recommended for that purpose. The soils in the area are somewhat poorer than the other identified areas and the land is not rated as highly by the Important Farmlands map as the other areas for agricultural production. On-site mitigation by any of the agricultural operations in that area may be appropriate at such time as the area is added to the Urban Growth Boundary and planned for development.

D. Mitigation Areas – Specific Alternatives, Including SEQ Urban Limit Line Alternatives

In 2006, the City adopted the Urban Limit Line/Greenbelt Study and incorporated its recommendations into the General Plan. That Study identifies significant portions of the hillsides on east and west sides of valley as helping to establish a "greenbelt" around the Morgan Hill urban area. Valley floor properties that are identified as potential greenbelt areas include the Coyote Valley Greenbelt (within San Jose's sphere of influence), Coyote Creek Park and the James Boys Ranch at the north end of the City, and Silveira Park at the southern end. The Study did not identify any areas within the Southeast Quadrant (SEQ) as possible greenbelt areas pending completion of additional studies regarding the need for urbanization of that area. Those studies have been completed and the City has determined that industrial park urbanization of the area is not warranted in the foreseeable future. Feasibility studies are underway to determine the level of interest in sports/recreation/leisure and public facility uses for the area. Such uses would require only a portion of that area and the possibility exists to evaluate the potential to provide agricultural mitigation and create a greenbelt in the SEQ area that would separate Morgan Hill from San Martin.

Following are several alternatives that identify target areas and approaches for mitigation for the significant loss of agricultural land. Each of the alternatives focuses on a different objective, priority or approach to mitigation. Advantages and disadvantages of each alternative are identified. Any of the alternatives could be implemented independently or in conjunction with another alternative. Table 3 at the end of this Section provides a summary comparison of the major features of each alternative. Other alternatives are also possible.

Alternative 1 – Emphasize Greenbelt Creation Using Easements

Alternative 1, shown in Figure 5 on page 31, focuses agricultural preservation in the southern portion of the Southeast Quadrant where it can also serve as an open space buffer between Morgan Hill and San Martin. This alternative would designate approximately 400 acres of land for agricultural use in the City's general plan and exclude the area from the City's Urban Limit Line. The purchase of conservation easements within the City's sphere of influence would be limited to this area.

The advantages of Alternative 1 are that, if there are willing sellers of easements, it would help to create a greenbelt between Morgan Hill and San Martin and it would encourage preservation of agriculture in the Morgan Hill area.

The disadvantages of Alternative 1 are that less land could be preserved than if land were obtained in other parts of South County due to higher land prices in the Morgan Hill area. Also, this alternative may be difficult to implement due limited property owner interest in

sale of easements in this area. If willing sellers are limited in this area, more easements would be acquired outside of the Morgan Hill area.

Alternative 2 – Maximize Greenbelt Creation Using Fee Title Acquisition

Alternative 2, shown on Figure 6 on page 32, is similar to Alternative 1 in that it would focus preservation in the SEQ area, would designate land for agricultural use in the City's general plan and exclude the area from the Urban Limit Line. This alternative recognizes the potential difficulty in acquiring conservation easements within the City's sphere of influence and, instead, would promote acquisition of fee simple title to the properties and their subsequent lease for agricultural use. Approximately 275 acres are targeted in this alternative.

The advantages of Alternative 2 are that it would help to create a greenbelt between Morgan Hill and San Martin and it would encourage preservation of agriculture in the Morgan Hill area. Purchase of fee title to property would increase the likelihood of its success and could potentially eliminate the need to use mitigation revenues outside the Morgan Hill sphere of influence.

The disadvantages of Alternative 2 are that less land could be preserved than in other alternatives due to the higher cost of fee title acquisitions. Also, management of fee title properties would be more involved and costly than easements.

Alternative 3 – Promote Preservation of Prominent Agricultural Uses

Alternative 3, shown on Figure 7 on page 33, promotes preservation of four existing agricultural areas within the City's sphere of influence. The four areas, to a great extent, make up what is left of the historical agricultural landscape of Morgan Hill. The approximately 750 acres of land in this alternative would be eligible for purchase of conservation easements. None of the areas would be designated by the City's General Plan for agricultural use and the Urban Limit Line would be coterminous with the sphere of influence line in the Southeast Quadrant area.

The advantages of Alternative 3 are that it would promote retention of a variety of prominent agricultural areas in the Morgan Hill area. Many residents feel the interspersing of agricultural and suburban uses contributes to the City's appeal. Identification of a greater number of acres in multiple locations for easement acquisition could increase the potential for preservation in the Morgan Hill area.

The disadvantages of Alternative 3 are that less land could be preserved than in other parts of South County due to higher land prices in the Morgan Hill area and the alternative may be difficult to implement due limited interest in sale of easements in this area. This alternative would likely contribute less to the establishment of a greenbelt at the southern end of the City. Also, the identification of multiple areas for easement acquisition could lessen the visual impact that would result from preservation in a single area. This alternative could potentially preserve lands that are currently designated for

urban uses by the General Plan. This could necessitate the designation of other undesignated lands for urban uses.

Alternative 4 – Purchase of Easements Outside of Morgan Hill Sphere

Alternative 4, shown in Figure 4, does not identify any areas within the Morgan Hill sphere of influence for agricultural preservation. All mitigation would be provided in the agricultural areas east and south of Gilroy and designated by that city as Preferred Preservation Areas.

The advantages of Alternative 4 are that it would maximize the number of acres of agricultural land that could be preserved. It also would preserve land in an area where agriculture is more economically viable.

The disadvantages of Alternative 4 are that no agricultural land would be preserved in the Morgan Hill area and it would not aid the creation of a greenbelt at the southern end of the City.

The following table summarizes the various aspects of these four alternatives.

Table 3
Summary of Mitigation Alternatives

	Alternative 1	**Alternative 2**	**Alternative 3**	**Alternative 4**
Acreage Eligible for Preservation	400	275	750	12 – 15,000
Mitigation Emphasized in Morgan Hill Area	Yes	Yes	Yes	No
Easement or Fee Title	Easement	Fee Title	Easement	Easement
Designate Land for Agriculture in General Plan	Yes	Yes	No	No
Excluded from Urban Limit Line	Yes	Yes	No	No
Potential for Greenbelt Creation	High	Medium	Low	None
Likelihood of Implementation	Low	High	Medium	High

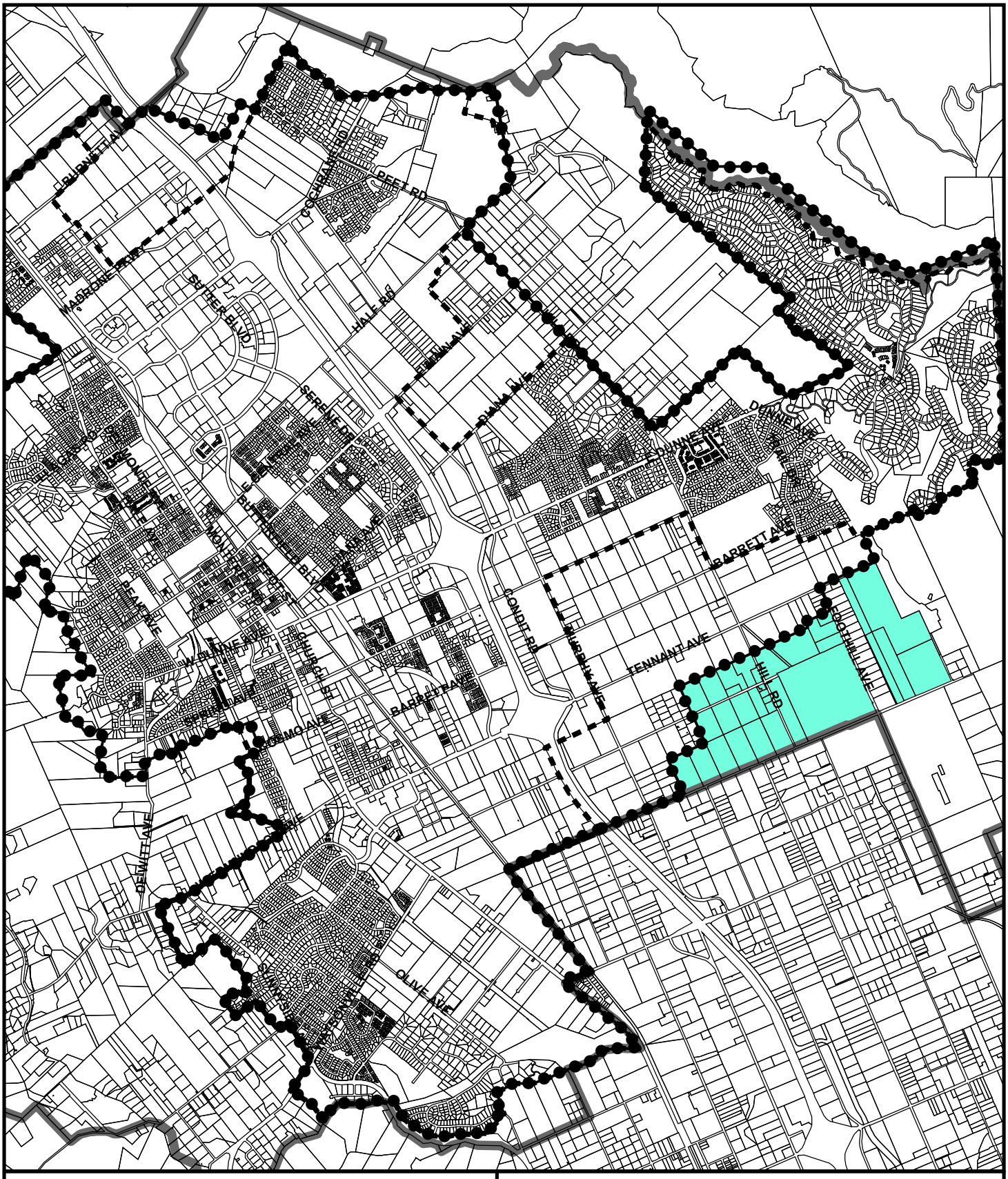

Figure 5:
Alternative 1 Mitigation Area

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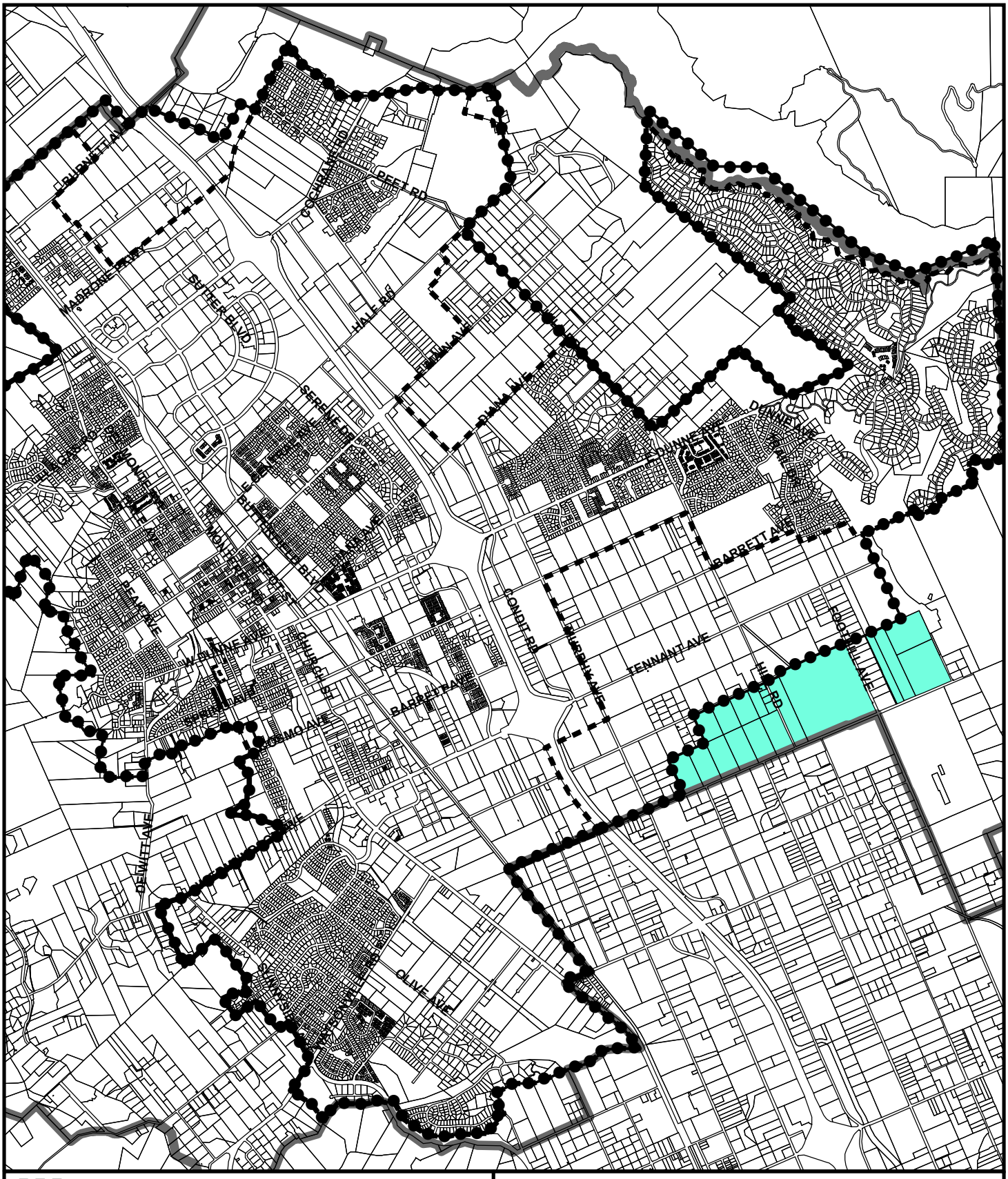

Figure 6:
Alternative 2 Mitigation Area

This map was produced by the City of Morgan Hill Community Development Department. The data was collected from a variety of reliable sources. However, the City of Morgan Hill makes no representation as to its accuracy and disclaims any liability to persons who may rely upon it.

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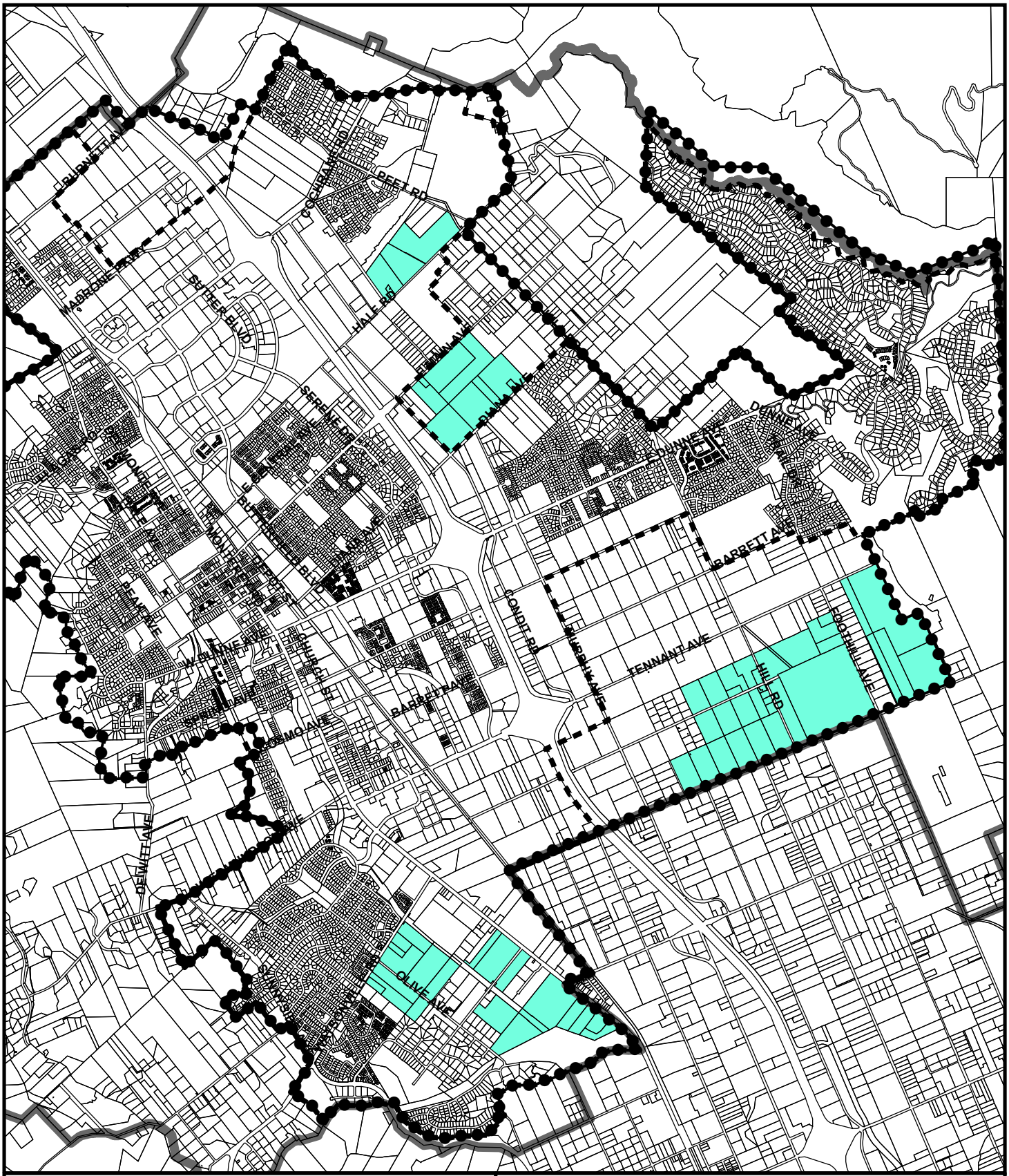

Figure 7:
Alternative 3 Mitigation Area

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